Mr. Chairman, members of the Subcommittee, I am Doyle Fincher, President of the Western Peanut Growers Association, from Seminole, Texas. Today I am representing a coalition of state peanut organizations from across the country; the Georgia Peanut Commission, the Georgia Peanut Producers Association, the Florida Peanut Producers Association, the Panhandle Peanut Grower Association and the Western Peanut Growers Association. These organizations represent approximately two-thirds of the peanuts produced in the United States.

Also in the hearing room this morning is Armond Morris, Chairman of the Georgia Peanut Commission along with three of his Board members, Terry Pickle, President of the Georgia Peanut Producers Association, Terry Canada, President of the Panhandle Peanut Growers Association and Jeff Crawford, Executive Director of the Florida Peanut Producers Association.

Thank you for allowing us to testify before your Subcommittee on our plan for the future of the peanut program. In 1993 and 1994, the passage of the NAFTA and the GATT trade agreements, respectively, changed the way peanut growers have conducted business. Minimum access for other peanut exporting countries caused reductions in our poundage quotas. The export market for U.S. growers is virtually non-existent. Export and domestic marketing promotion monies are the right strategy for the peanut industry but have little chance for success with our current pricing structure.

This is just the beginning of the problem. As tariffs decline under the NAFTA and with the very real prospect of a Free Trade Area of the Americas agreement by 2005, we will see a continued increase in access to our markets by foreign produced peanuts. The current peanut program's effectiveness will continue its current downward spiral. This spiral must be stopped.

Evidence of this downward trend occurred in the last few appropriation cycles. Peanut growers came to the Congress for help to offset peanut program costs for our "no net cost" program. If the no net cost program remains in its current form, growers will have to come back to the Congress for help. The losses will increase year after year due to increased imports. This die has been cast. Our coalition of the largest peanut growing areas of the country, producing the majority of U.S. peanuts, wants to break this trend. To save the peanut industry in the United States, we have to develop a peanut program that responds to the marketplace. The Congress made sweeping changes to farm programs in 1996 but the peanut program remained structurally intact.

Now it is time to transform our program to meet the variables of the future. Are these trade agreements to be reversed? Will the Congress reject the Free Trade Area of the Americas initiative? I think not.

We believe we have a plan that keeps American producers competitive in America and the world marketplace. Let us compete. Let us reverse a trend that does not allow our sons and daughters to come back to the farm, that breeds depression among growers and prevents any form of long-term business planning. Our proposal is a plan for the future.

TRANSITION PAYMENTS

The first part of our plan is to establish transition payments based on the historic quota. The quota would be suspended just as bases were in the last farm bill. Payments would be made to the quota holder for the life of the farm bill, not less than five years, at a level of 14 cents per pound per year. Peanut quotas have been capitalized into farm values and in many cases producers carry debt based on the purchase of these quotas. These quota holder payments need to be made exclusive of payment limits. The 14 cent annual payment is an approximate average peanut lease rate in the State of Georgia, the largest peanut producing state.

For our cost estimate, we use the 2001 quota level of 1,280,000 tons (1,180,000 tons of quota + 100,000 tons of temporary seed quota) of farmer stock peanuts. This resulted in a projected annual Government cost of approximately $358,400,000 per year. Since these payments would be decoupled from production, they would not be subject to any WTO constraints. For purposes of this transition payment, the quota should be held at the 2001 level for the life of the bill.

MARKETING LOAN PROPOSAL

The second component of our plan is to establish a Marketing Loan Program for peanuts, the same structure developed by this Committee for other commodities. After grower meetings in counties across the country, we suggest a $500 loan rate. We feel based on a Texas A & M study that this is a reasonable level in comparison to other commodity program prices. (See Attachment 1) This level of support provides growers a safety net while allowing growers to compete in the market with foreign imported peanuts.

Payments, resulting from the marketing loan, should not be subject to payment limitations. Farmers have had to get larger to survive. Still, these farms are family farms that need some form of safety net on all of the commodities they produce. The current payment limit structure inhibits farmers from obtaining adequate financing at local banks in many cases. If the elimination of payment limits cannot be accomplished in this farm bill, we propose that the payments would be in the form of generic certificates that allow the grower marketing options to manage the payment limits.

Because we are significantly reducing our support rate, we request the Committee consider an annual escalator based on increases or decreases in the cost of production that would be applied to the marketing loan rate. This would to be tied to the consumer price index with a maximum increase or decrease of 2% per year of the total loan rate.

We have included a chart with the potential Government exposure using data from the University of Georgia and the U.S. Department of Agriculture. In developing these cost estimates, production figures from each peanut producing state have been based on that state's maximum annual production during the period 1978 to 2000. (See Attachment 2) The total U.S. production based on these figures amounts to 2,700,000 tons which reflects a 50% increase in production over the current production level. The peanut production of many states today is significantly below the maximum it attained in the past that has been used in our cost estimates. The estimated cost of our proposed marketing loan program should be approximately $350, 000,000 per year. The repayment price would be based on the World Market Price using Rotterdam as a reference point. This does not reflect any increase in the marketing loan rate over the life of the legislation.

We understand that in making this transition to a more market-oriented program, there are some questions that will not be answered until the new program is in place. For that reason we are also suggesting a safeguard against excessive government costs.

Currently, we are charged with $347 million for our level of support under the Uruguay round of the GATT. We suggest if Loan Deficiency Payments exceed $350 million, the Secretary of Agriculture is given the authority to limit loan eligibility based on prior production history. This would involve structuring an inactive base, proven recent production history, that only becomes active in the event the Secretary determines that it is necessary for the U.S. to stay within its GATT commitments.

Mr. Chairman, as peanut leaders, this has been a difficult road in determining the best program proposal for the future of the peanut industry. We believe we are on the right track in developing a program that works for growers.

We recognize the investments in quota over the years and have sought a remedy to protect those investors. Our highest priority is the future of the industry. We will gain back the consumption lost to imports and at the same time will be more competitive in the export market. This program will put more money back into our rural communities as our growers prosper.

Again, I appreciate you allowing us to present our testimony this morning. We are glad to answer any questions from you or the committee members.